

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 STR-07
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TO SECSTATE WASHDC 2923
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TAGS: EAIR, FR, EIND
SUBJECT: AEROSPACE INDUSTRY: FRANCE FACES THE FUTURE

REF: LONDON 8155

1. SUMMARY: FRENCH GOVERNMENT IS ABOUT TO MAKE DECISION WHETHER TO PROCEED WITH ITS EUROPEAN PARTNERS ON THE PRODUCTION OF THE AIRBUS AND THE NEW TECHNOLOGY JET 1-2-3. PARTICIPATION BY THE BRITISH, ALTHOUGH ACTIVELY SOUGHT, IS NOT SINE QUA NON CONDITION IN FRENCH DECISION. AS IN THE CASE TODAY FOR MOST MODERN AIRCRAFT, THE AIRBUS AND JETS COULD BE EQUIPPED WITH A VARIETY OF ENGINES BUT SUPPORT IN FRANCE IS OF COURSE FOR SNECMA/GE ENGINES. FRENCH AEROSPACE INDUSTRY STILL INTERESTED IN AMERICAN PARTICIPATION, BUT ON EVEN PARTNERSHIP BASIS.

2. ALTHOUGH WE HAVE NOT YET BEEN ABLE TO DEVELOP MUCH DETAILED INFORMATION RE LAST WEEK'S DISCUSSIONS BETWEEN
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BRITISH TRADE SECRETARY DELL AND INDUSTRY SECRETARY VARLEY WITH TRANSPORT MINISTER LETHEUL REGARDING FUTURE EUROPEAN AERONAUTICAL COOPERATION, CIVIL AIR ATTACHE AND FAA REPRESENTATIVE HAD THE OPPORTUNITY TO IDENTIFY FRENCH TECHNICAL LEVEL THINKING DURING A MAY 25 AND 26 VISITS TO SNECMA ENGINE PLANTS AT CORBEIL AND VILLAROCHE AND AEROSPATIALE AND AIRBUS INDUSTRIES AT TOULOUSE.

DISCUSSIONS INVOLVED BOTH SENIOR GOVERNMENT OFFICIALS FROM PARIS AS WELL AS MARKETING EXECUTIVES AND MANAGEMENT PEOPLE AT PLANTS. FROM THE DISCUSSIONS THE FOLLOWING PICTURE EMERGED.

3. ENGINEERING AND DESIGN ARE FAIRLY WELL ADVANCED WITH RESPECT TO THE AIRBUS B-10 AND THE JET 1, 2 AND JET 3 COMMERCIAL TRANSPORTS. ALL ARE BEING ACTIVELY DISCUSSED WITH EUROPEAN AND FOREIGN AIRLINES WITH A VIEW TO IDENTIFYING THEIR SPECIFIC REQUIREMENTS AND HOPEFULLY GETTING COMMITMENTS. ALTHOUGH THE B-10 IS SLIGHTLY AHEAD OF THE JET AIRCRAFT, A DECISION COULD BE TAKEN ALMOST IMMEDIATELY TO GO WITH ANY OF THE THREE FOR DELIVERIES ABOUT 1982 PROVIDED ORDERS ARE SUFFICIENT. THE DECISION TO GO AHEAD WILL, OF COURSE, BE A POLITICAL ONE.

4. AMERICAN CARRIERS FIGURE PROMINENTLY IN THE AIRBUS INDUSTRIES SALES EFFORTS. EASTERN'S OPTIONS FOR THE B-10'S ARE TAKEN AS A GIVEN AND AT THE MOMENT INITIATIVES ARE UNDERWAY TO CONVINCE UNITED THAT THIS AIRCRAFT AND/OR THE JETS SHOULD BE PROCURED. OUR SOURCES ALLUDED TO SALES EFFORTS WITH OTHER U. S. CARRIERS BUT WOULD NOT SPECIFY WHICH ONES. HOWEVER, IT WAS FAR FROM CLEAR AS TO WHETHER THEY REGARD THE AMERICAN MARKET AS THE KEY TO SUCCESS, AS ON SEPARATE OCCASIONS LIMITED OFFICIAL USE

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SEVERAL REFERRED TO THE U.S. AIRLINE INDUSTRY (WHILE QUANTITATIVELY LIKELY TO CONTINUE VERY IMPORTANT) AS BEING A RAPIDLY DECLINING PERCENTAGE OF THE WORLD INDUSTRY. THEY STRONGLY IMPLIED THAT THEY SAW THE LONG TERM COMMERCIAL SUCCESS OF THE PRESENT AIRBUS AND THE FUTURE EUROPEAN AIRCRAFT AS BASED UPON SALES OUTSIDE OF EUROPE AND NORTH AMERICA.

5. OUR SOURCES EMPHASIZED THAT THE FRAME OF REFERENCE IN WHICH THE FRENCH AND GERMAN GOVERNMENTS ARE APPROACHING THE QUESTION OF GO-AHEAD PUTS EMPHASIS ON THE ORDER BOOK AND NOT ON MORE VAGUE ASPIRATIONS OF DEVELOPING THE MANUFACTURING INDUSTRY. WITHIN THIS CONTEXT THEY STATED THAT ALTHOUGH THE FINANCIAL AND INDUSTRIAL PARTICIPATION OF BRITISH AEROSPACE WOULD BE VERY DESIRABLE, A SIZEABLE COMMITMENT FROM BRITISH AIRWAYS TO PURCHASE WHATEVER AIRCRAFT IS/ARE BUILT WOULD BE EVEN MORE IMPORTANT.

6. ALTHOUGH THERE HAVE BEEN IN THE PAST VARIOUS UNSUCCESSFUL DISCUSSIONS WITH THE MAJOR AMERICAN PRODUCERS

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INVOLVING POSSIBLE COOPERATIVE UNDERTAKING WITH RE-
SPECT TO THESE THREE AIRCRAFT THESE SOURCES INDICATED
THAT AN AMERICAN INVOLVEMENT IN DUE COURSE ON A TRUE
PARTNERSHIP BASIS WITH WELL DEFINED RESPONSIBILITIES,
WOULD BE WELCOME. THYE THEY WERE HOWEVER, SKEPTICAL
ABOUT LOCKHEED WHICH HAS RECENTLY PROPOSED TO THE GOF
THAT IT BECOMES AN INVESTING SUBCONTRACTOR AND MARKETING
ORGANIZATION FOR AIRBUS INDUSTRIES RE THESE AIRCRAFT
IN RETURN FOR A COMMITMENT BY AIR FRANCE AND PRE-
SUMABLY LUFTHANSA TO PURCHASE L-1011-500 AIRCRAFT.
THESE OFFICIALS NOT ONLY WERE DOUBTFUL ABOUT AIR FRANCE
DESERTING BOEING BUT THEY HAD STRONG CONCERNS ABOUT THE
LONG TERM FINANCIAL RELIABILITY OF LOCKHEED.

7. COMMENT: THE EMPHASIS ON MARKETING CERTAINTY AS THE
BASIS FOR A POLITICAL GO AHEAD IS APPROPRIATE CONSIDERING
THE LEVEL OF THE PEOPLE WITH WHOM WE TALKED. HOWEVER, WE
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DO NOT THINK THE FRENCH CABINET WILL LIMIT ITS
DECISION FRAMEWORK TO THE ORDERBOOK SITUATION. CERTAINLY
IT DID NOT DO SO SIX YEARS AGO WHEN THE DECISION TO GO
AHEAD WITH THE PRESENT AIRBUS WAS TAKEN AND THE FACT
THAT THE FUTURE OF THE AEROSPACE INDUSTRY HAS FIGURED
SO PROMINENTLY IN RECENT MEETINGS BETWEEN FRENCH
PRESIDENT GISCARD AND GERMAN CHANCELLOR SCHMIDT STRONGLY
SUGGESTS THAT A DECISION TO GO AHEAD WITH ONE OF THE
PROPOSED AIRCRAFT IS LIKELY EVEN IF THE IMMEDIATE ORDER
BOOK IS NOT THAT FAVORABLE. THE ONLY QUESTION MAY BE
AS TO WHICH AIRCRAFT WILL GET THE NOD. (ALL APPEAR TO
COMPETE DIRECTLY WITH VARIOUS UNDER-
TAKINGS OF BOEING OR DOUGLAS) THE ORDERBOOK WILL
HELP DETERMINE THAT.

8. FROM THE FRENCH VIEWPOINT THE AIRCRAFT DECISION
MUST ALSO BE LOOKED AT IN TERMS OF ITS ENGINE INDUSTRY
(SPECIFICALLY SNECMA IN WHICH THERE IS HEAVY GOVERNMENTAL
INVESTMENT). ALL THREE OF THE PROPOSED AIRCRAFT CAN
TAKE A VARIETY OF ENGINES SNECMA/GE, PRATT/WHITNEY OR
ROLLS ROYCE) AND THE CUSTOMERS CAN SPECIFY WHICH THEY
WANT. BUT UNLESS AN AIRCRAFT IS ACTUALLY BUILT THERE
MAY BE NO SIGNIFICANT OUTLET FOR THE SNECMA PRODUCTS
(EITHER ITS OWN DESIGN OR ONE PRODUCED UNDER LICENSE
FROM OR IN COLLABORATION WITH GE). LIKE AEROSPATIALE
IN THE AIRFRAME SECTOR, SNECMA REPRESENTS THE HIGH
TECHNOLOGY INDUSTRY WHICH THE GOF IS AT SUCH PAINS
ATTEMPTING TO DEVELOP FOR THE LONG TERM FUTURE.

9. FROM THE FRENCH VIEWPOINT WE HAVE SEEN NO INDICA-
TIONS THAT BRITISH INVOLVEMENT IN FUTURE AIRCRAFT PRO-
DUCTION IS CONSIDERED ESSENTIAL TO A GO AHEAD. IN-
DEED, OUR SOURCES HAVE ADMITTED TO POSSIBLE HESITATIONS
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SINCE INCLUDING THE UK IN THE PARTNERSHIP WOULD MEAN
A STRONGER EMPHASIS ON SALE OF THE AIRCRAFT WITH ROLLS
ROYCE ENGINES IN COMPETITION WITH THOSE OF SNECMA -
EVEN THOUGH ULTIMATELY IT WOULD BE CUSTOMER'S CHOICE.
HOWEVER, TO THE EXTENT THAT THE BRITISH DECIDE TO GO
INTO AN ARRANGEMENT WITH A U.S. MANUFACTURER, AND
BRITISH AIRWAYS IS PERMITTED TO MAKE A MAJOR PURCHASE
OF JOINTLY PRODUCED AIRCRAFT, THE MARKET FOR THE EUROPE-
AN COMPETITORS(S) WILL TO THE EXTENT THAT
PROSPECTIVE ORDERS ARE A FACTOR IN THE FRENCH POLICY
DECISION REGARDING GO-AHEAD, THIS MAY MAKE GISCARD AND
THE FRENCH CABINET MORE RELUCTANT TO TAKE THE PLUNGE,
ESPECIALLY IF THE LARGE INVESTMENT REQUIRED AT THAT

MOMENT MUST COMPETE WITH OTHER BIG TICKET EXPENDITURES.
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